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IN THE UNITED STATES DISTRICT COURT
IN AND FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

VERIGY US, INC., a Delaware Corporation,

Plaintiff,

v.

ROMI MAYDER, an individual; WESLEY
MAYDER, an individual; SILICON TEST
SYSTEMS, INC., a California Corporation;
and SILICON TEST SOLUTIONS, LLC, a
California Limited Liability Corporation,
inclusive,

Defendants.

AND RELATED COUNTERCLAIMS.

Case No. 5:07-cv-04330-RMW (HRL)

**DEFENDANTS' REPLY TO OPPOSITION
TO MOTION FOR SUMMARY
ADJUDICATION AND FOR
MODIFICATION OF PRELIMINARY
INJUNCTION**

Judge: Hon. Ronald M. Whyte
Date: September 5, 2008
Time: 9:00 a.m.
Dept.: 6

Complaint Filed: August 22, 2007
Trial Date: December 8, 2008 (jury trial)
(Defendants have elected to reserve their jury
trial rights under F.R.C.P., Rule 38)

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INTRODUCTION

Plaintiff Verigy US, Inc.'s ("Verigy") opposition ("Opp.") to the motion by Defendants for modification of the current preliminary injunction order and for summary adjudication fails to raise a cognizable argument. The Court has already rejected Verigy's Rule 59(e) argument that Defendants' motion is an untimely motion for reconsideration, yet Verigy simply repeats the rejected arguments, signalling the lack of merit to its opposition. Under Rule 60(b)(2) & (5) the PI Order¹ should be modified because of significant changes in both legal and factual circumstances since February, 2008. Defendants are entitled to summary adjudication (a) dismissing Verigy's Lanham Act claim and (b) establishing that once a document is published, any alleged trade secrets contained in that document lose any alleged trade secret status as of the date of such publication.

ARGUMENT

I. THE COURT'S JULY 23, 2008 ORDER REJECTED VERIGY'S RULE 59(E) ARGUMENT, AND IT SHOULD BE REJECTED AGAIN.

Verigy argues that Defendants' motion to modify the PI Order is barred by Rule 59(e). Opp. at 6. As Verigy admits, however, the Court has already decided this issue: "[T]he disputed portion of defendants' motion appears to be one made under Rule 60(b) rather than one made under Rule 59...."² Opp. at 7, fn.2. The Court rejected the very arguments that Verigy advances yet again to assert that Defendants' motion is one for reconsideration. Using Verigy's own reasoning, this basis for opposition is itself improper, since it was raised before by Verigy, ruled upon by the Court, and Verigy failed to bring a timely motion for reconsideration of said ruling.

II. PURSUANT TO RULE 60(B)(2) & (5), THE PI ORDER SHOULD BE MODIFIED.

A. Under *Rufo* and *Bellevue Manor*, All Circumstances Should Be Considered in Determining Defendants' Motion to Modify the PI Order.

Verigy argues that only "extraordinary and exceptional circumstances...justify modification" of the PI Order but this argument ignores the modern, flexible approach under Rule 60(b)(2). *Rufo v. Inmates of Suffolk County Jail*, 502 U.S. 367, 380 (1992), made clear that the

¹ Order Granting in Part Plaintiff's Motion for a Preliminary Injunction [Etc.] ("PI Order").

² "Order re: Verigy's Administrative Motion" filed July 23, 2008 ("July 23rd Order"), p. 2.

1 “grievous wrong” language in *United States v. Swift & Co.*, 286 U.S. 106 (1932) “was not
2 intended to take on a talismanic quality”:

3 a party seeking modification of a consent decree bears the burden of establishing that a
4 significant change in circumstances warrants revision of the decree. If the moving party
5 meets this standard, the court should consider whether the proposed modification is
6 suitably tailored to the changed circumstance.

7 *Rufo*, 502 U.S. at 383 (footnote omitted). “A party seeking modification of a consent decree may
8 meet its initial burden by showing a significant change either in factual conditions or in law.”

9 *Rufo*, 502 U.S. at 384. The Ninth Circuit applies *Rufo* broadly: “[T]he *Rufo* standard applies to all
10 Rule 60(b)(5) petitions brought on equitable grounds.” *Bellevue Manor Assocs. v. United States*,
11 165 F.3d 1249, 1257 (9th Cir. 1999). Thus, the Court’s power to grant Defendants’ motion to
12 modify the PI Order is not limited to “extraordinary and exceptional circumstances.”

13 **B. Pursuant to Rule 60(b)(5), the PI Order Should Be Modified**
14 **in Light of Changes in Both Legal and Factual Circumstances.**

15 **1. Significant Changes in Both Legal and Factual**
16 **Circumstances Warrant Revision of the Preliminary Injunction.**

17 **a. eBay Changed the Rules for the Granting of Injunctive Relief.**

18 Verigy argues that *eBay, Inc. v. MercExchange*, 547 U.S. 388 (2006) is not new law and is
19 irrelevant. Opp. at 8-9. Neither of these arguments can withstand scrutiny.

20 On February 29, 2008, the application of *eBay* to a motion for a preliminary injunction was
21 not clear, and the implications of *eBay* were not brought to the Court’s attention. Verigy makes only
22 passing reference to *Hologic, Inc. v. Senorx, Inc.*, 2008 U.S. Dist. LEXIS 36693 (N.D. Cal. Apr. 25,
23 2008), which was not handed down until nearly two months after the PI Order. *Hologic* pointed out
24 the state of uncertainty at the time: “courts have split as to whether the presumption of irreparable
25 harm applies in motions for preliminary injunctions.” *Id.* at *43; see also *id.* at *44, fn. 9. Not until
26 *Hologic* was it clear that the Northern District would follow *eBay* in determining preliminary
27 injunction motions. See *id.* at *45. Furthermore, unlike Rule 60(b)(2), Rule 60(b)(5) does not
28 require a showing that new law (or facts) “could not have been discovered in time to move for a new
trial under Rule 59(b).” Instead, the modern, flexible approach focuses on whether there has been a
significant change in legal or factual circumstances from those that were presented to the Court

1 previously.³

2 Verigy claims that *eBay* is irrelevant, because “the Court was well aware of and considered
3 the fact that Verigy was not offering a product with the same functionality....” Opp. at 10. This is
4 not the point. *eBay* and its progeny teach a very different standard for determining whether or not
5 injunctive relief should follow a finding of liability.⁴ All of these teachings, particularly when
6 taken together, demonstrate that *eBay* changed the rules for granting of injunctive relief.

7 **b. The Dr. Blanchard Decl. and its Exhibits, Including the ‘140**
8 **Application, As Well As Other Evidence, Created Significant**
9 **Changes in the Factual Circumstances Concerning the PI Order.**

10 Verigy asserts that Defendants’ Motion⁵ fails to present any “truly new evidence.” Opp at
11 7. But, as discussed above, Rule 60(b)(5) focuses on whether there have been significant factual
12 changes from the evidence previously presented to the Court. While Verigy’s table (Opp. at 3)
13 tries to suggest that Defendants have failed to present any new arguments, Verigy’s table misses
14 the mark. Arguments are not evidence. The volumes of evidence presented in the Dr. Blanchard
Decl. and the R. Mayder Decl. submitted with Defendants’ moving papers, were not presented to

15 ³ A court “must look to the evidence that [it previously] had before [it], and determine whether
16 the circumstances reflected in that evidence have changed to a sufficient degree that equity no
17 longer favors continuance of the injunction.” *Orantes-Hernandez v. Gonzales*, 504 F. Supp. 2d
825, 837 (C.D. Cal. 2007).

18 ⁴ Such changes include the following, and the additional changes discussed below:
19 (1) courts assess injunctive relief under the traditional, four-factor test, *eBay*, 547 U.S. at 391;
20 (2) “the creation of a right is distinct from the provision of remedies for violations of that
21 right,” *eBay*, 547 U.S. at 392;
22 (3) “this Court has consistently rejected invitations to replace traditional equitable
23 considerations with a rule that an injunction automatically follows a determination that a
24 [right] has been infringed,” *id.* at 392-3;
25 (4) merely “recit[ing] the traditional four-factor test,” *id.* at 393, is insufficient for a court to
26 exercise properly its equitable discretion in deciding whether to grant or deny an
27 injunction;
28 (5) District Courts must be careful not to invoke “broad classifications” or “categorical rule[s]”
to ensure that their analyses can “be squared with the principles of equity,” *id.*;
29 (6) under *eBay*, “although the ‘quantum of evidence required [to prove irreparable harm] is
relatively unclear,’ the plaintiff had not met its burden by merely asserting that it directly
competes with the infringer and will ‘likely lose additional market share, profits, and
goodwill,’” *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 570 (E.D. Va. 2007),
citing *Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440, 443-44 (D. Del. 2007);
30 (7) a “lack of commercial activity in practicing the [relevant] patents’ and instead ...a
‘willingness to license its patents’” counsel against a finding of irreparable harm,
MercExchange, 500 F. Supp. 2d at 570 (citation omitted).

⁵ “Defendants Notice of Motion and Motion for Summary Adjudication and for Modification of
Preliminary Injunction [Etc.] (“Defs.’ Mot”).

1 the Court before the PI Order issued. All of this new evidence may be marshaled to support both
2 new and earlier arguments.⁶

3 Most tellingly in this regard, *Verigy's own expert admits that the now-public '140*
4 *Application*⁷ *was part and parcel of the [REDACTED] project:*

5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 The '140 Application presents at least five significantly different sets of factual circumstances:

9 First, the '140 Application shows that Agilent, and later Verigy, consciously chose to
10 protect the [REDACTED] project under the Patent Act, thereby risking its trade secret claims.

11 Second, despite the fact that Verigy knew that a patent application concerning the [REDACTED]
12 project had been published before the PI hearing, Verigy did not inform the Court of this fact, but
13 instead misled the Court into believing the material was still being kept in confidence.

14 Third, by submitting the '140 Application to the USPTO, Verigy represented that the '140
15 Application contained all of the information that would enable one of ordinary skill in the art to
16 practice the best mode of the inventions claimed in it. Therefore, as a matter of law, based upon

17 ⁶ Verigy relies upon the declaration of its expert to argue that "Dr. Blanchard essentially
18 recycles assertions from his previous declarations...." Opp. at 4. The key lacuna in Verigy's
19 argument is found in ¶¶ 5 and 10 of the "Declaration of Wei Wei in Opposition to Defendants'
20 Motion [Etc.]" ("Wei Decl."). The Wei Decl. essentially dismisses the '140 Application as
21 simply something "discussed in ... my previous...deposition." *Id.* at ¶ 5. No serious attempt
22 to come to terms with the implications of the *public disclosure* of the [REDACTED] project are made.
23 Similarly, the claim that it would have taken Mr. Mayder 13 to 14 months to develop a
24 specification for the STS product (Wei Decl. at ¶¶ 21, 23) is contradicted by both (a) the
Court's previous finding of a five-month period based upon a review of similar evidence
offered by Verigy's expert (*see* PI Order at p. 27:8-9 and (b) Verigy's utter failure to present
evidence that the only thing that Mr. Mayder was working on between November 2005 and the
December 21, 2006 datasheet analyzed by Verigy's expert was that particular datasheet; this
opinion fails to acknowledge both the effect of the '140 Application and everything else that
Mr. Mayder was doing during that period of time.

25 ⁷ U.S. Pat. App. No. US 2007/0247140 A1 (the "'140 Application"), Dr. Blanchard Decl., Ex. G.
26 It became public on October 25, 2007. It was filed on April 24, 2006, well after November
2005, when the Court determined that "Mayder worked on the [REDACTED] project," and not long
before the time when the [REDACTED]." PI Order at 3:11 and 4:6.

27 ⁸ *See* the "Declaration of Wei Wei in Opposition to Defendants' Motion [Etc.]" ("Wei Decl."),
28 Ex. B, at depo. p. 92:20-24; *see also* Wei Decl. at p. 4, ¶ 10, which makes clear that the '140
Application is the exhibit about which this testimony is being given.

both (a) the enablement and best more requirements of 35 U.S.C. § 112 and the duty of candor existing under 37 C.F.R. § 1.56, *inter alia*, and (b) the principles estoppel, quasi-estoppel, and waiver,⁹ Verigy cannot now claim that there were any additional trade secrets known to Verigy as of April 24, 2006 not set forth in the '140 Application that were necessary for one of ordinary skill in the art to practice the best mode of all of the inventions claimed in the '140 Application. Furthermore, no such trade secrets, if any, remained secret after October 25, 2007.

Fourth, Verigy is estopped from claiming that that the references identified in the '140 Application were not publicly known as of April 24, 2006. For example, Verigy cannot claim that there was any trade secret in the idea of multiplexing circuits to increase the throughput for testing NAND flash memory as of April 24, 2006.

And fifth, another fact not revealed to the Court, Verigy has already received several rejections from the USPTO that the invention claimed therein is *obvious*!¹⁰ It cannot be that an invention both contains trade secrets and is obvious, since the latter implies that there is no real commercial value to the invention, and/or that it was readily ascertainable. In addition to the '140 Application, other significant changes in the factual circumstances concerning the PI Order presented by Defendants' Motion include: (a) all of the additional opinions expressed by Dr. Blanchard;¹¹ (b) all of the exhibits to the Dr. Blanchard Decl.; and all of the evidence presented in the R. Mayder Decl. and the exhibits thereto.

**2. The Proposed Modification to the PI Order is Suitably
Tailored to the Changed Legal and Factual Circumstances.**

The Court should modify the PI Order based upon the criteria discussed in this Court's *Hologic* decision.¹²

**a. The Modifications in the PI Order Are Appropriate
In Light of Changes in Likelihood of Success.**

⁹ See, e.g., *In re Baker Hughes Inc.*, 215 F.3d 1297, 1301-1302 (Fed. Cir. 2000).

¹⁰ Defendants were not in possession of the file wrapper for the '140 Application at the time of filing their moving papers, and make this showing as an offer of proof. Defendants will bring the file wrapper to the hearing such that the Court can examine it if interested.

¹¹ This includes the fact that Dr. Blanchard expressed some of those opinions in light of (i) orders of the Court that he had not been shown previously or (ii) Verigy's new trade secret list.

¹² *Hologic*, 2008 U.S. Dist. LEXIS 36693, at 4-5.

1 The '140 Application and Dr. Blanchard's additional opinions eviscerate Verigy's likelihood
 2 of success. The now-public '140 Application supports a finding that Verigy's alleged trade secrets
 3 are readily ascertainable, a defense to a claim for trade secret misappropriation. The Court
 4 previously found that "[REDACTED]" PI Order, at
 5 p. 3:14. Therefore, anything regarding [REDACTED] that concerned the enablement or best mode of
 6 the inventions described in the '140 Application became publicly available as of October 25, 2007.

7 The Court previously found, however, that "[REDACTED]"
 8 [REDACTED]
 9 [REDACTED]." PI Order, at p. 3:14-16. But this basic design is shown
 10 the '140 Application, *see e.g.*, the abstract, Figs. 2, 6, and 8, and ¶ 0004:

11 [0004] In an embodiment, there is provided apparatus for processing signals between a
 12 tester and a plurality of devices under test, the apparatus comprising at least one multichip
 13 module, each of the at least one multichip module comprising a plurality of micro-
 14 electromechanical switches between a first set of connectors to the tester and a second set
 of connectors to the plurality of devices under test; and at least one driver to selectively
 operate each of the plurality of micro-electromechanical switches.

15 '140 Application at p. 6. The grouping together of individual switches, in multiple configurations,
 16 into "separate MEMs dice" is specifically discussed in ¶ 0004. *Id.* at p. 7. These "separate MEMs
 17 dice" are essentially [REDACTED] writ large, a collection of individual switches grouped together
 18 into one MEMs die, rather than a single integrated circuit. But the '140 Application teaches how
 19 these "separate MEMs dice" are to be configured and interconnected with the remaining portions
 20 of the multichip module, and the '140 Application also teaches on-board control logic; *see, e.g.* ¶¶
 21 0016 and 0024. *Id.* at pp. 6-7. Therefore, the '140 Application teaches how to combine all of
 22 these elements into one device.¹³

23 The '140 Application is also important for what it fails to disclose. If there were customer

24 ¹³ Furthermore, the '140 Application also teaches (a) using the invention to test NAND flash
 25 memory in close proximity to the devices under test, especially to increase the maximum data
 26 rate for testing NAND flash memory and to facilitate one-touchdown testing (*see, e.g.*, ¶¶
 0032 and 0037), (b) using the invention in connection with then-Agilent and now-Verigy
 27 testers (*see, e.g.*, ¶ 0040), (c) implementing the invention with different types and numbers of
 switches (*see, e.g.*, ¶¶ 0033 and 0034), (d) reducing the size of the multichip module so that it
 28 can work with a probe card (*see, e.g.*, ¶¶ 0023 and 0030), and (d) operating at higher data
 rates (*compare, e.g.*, ¶ 0001 with ¶ 0017) and higher temperatures (*compare, e.g.*, ¶ 0002 with
 ¶ 0018) than what was known in the prior art. '140 Application at pp. 6-8.

requirements that one of reasonable skill in the art would have required to specify the types of MEMs or “separate MEMs dice” as of April 24, 2006 (if not later), then they must have been disclosed in the ‘140 Application, and Verigy is estopped from asserting otherwise.¹⁴

Accordingly, the disclosures in the ‘140 Application and the additional publicly available information referenced in Exs. B-U to the Dr. Blanchard Decl. illuminate his opinions in ¶¶ 8(a)-(d), including that (a) “probe card circuit multiplexing technology” is not secret, (b) Exs. A-F of the August 16, 2007 Pochowski Decl. are based on non-secret information, (c) “techniques for using a serial bus with ‘daisy-chain’ support for providing control signals...” are not secret, and (d) the functionalities identified by the Court in the Preliminary Injunction at 11:20-21 and 12:2-3...are (A) publicly available or well known in the semiconductor test industry and (B) readily ascertainable; [and] the functionality identified by the Court in the Preliminary Injunction at 11:21-12:2, ...is the type of information that I would expect would be specified by the requirements of a particular customer of the semiconductor test industry; Dr. Blanchard Decl. ¶ 8.

Reading the ‘140 Application with other publicly available information discussed in the PI Order provides further support for Dr. Blanchard’s conclusions. The Court found that:

PI Order, at p. 13. In contrast, the ‘140 Application teaches on-board control logic. *See, e.g.*, ¶¶ 0016 and 0024, ‘140 Application at pp. 6-7. Therefore, the ‘140 Application, Dr. Blanchard’s additional opinions, and the additional exhibits to his declaration, undermine both the first and the second “pillars” of Verigy’s trade secret allegations.

**b. The Modifications in the PI Order Are Suitable
In Light of Changes in Irreparable Harm.**

i. The Question of Irreparable Harm Must Be Re-Assessed.

The PI Order analyzed irreparable harm in these terms:

While it is true that Verigy is not currently using the trade secrets

¹⁴ Thus while the Court found that there appeared to be “a framework for integrating the requirements of STS customers [that] was created using the Verigy customer requirements,” PI Order at p. 15, the ‘140 Application provides at least a functionally equivalent, if not a functionally superior framework, for integrating such customer requirements.

1 [REDACTED], Verigy also chose not to enter the market with a product based [REDACTED]
 2 [REDACTED]. Verigy suffers an injury to the extent that STS received a
 3 head start on developing a technology that is being sold [REDACTED]
 4 [REDACTED]. Further, because the court concludes that [REDACTED] are
 5 based upon the [REDACTED]
 6 [REDACTED]. Nevertheless, it appears that Mayder given his skill and experience could
 7 have eventually developed the Flash Enhancer without the benefit of any Verigy trade secret
 8 by referring to publicly-available references regarding fan-out technology and collecting and
 9 integrating STS customer requirements without the benefit of exposure to the Verigy
 10 customer requirements.

11 PI Order at p. 24:11-24. Verigy relies upon the PI Order to claim that it continues to suffer
 12 irreparable harm (Opp. at 10), offering no independent evidence of irreparable harm.

13 After *Hologic*, this analysis must be re-assessed.¹⁵ Neither Verigy's choosing not to enter a
 14 particular market nor its possibly suffering damages constitutes irreparable harm.¹⁶ Verigy's
 15 submitting the '140 Application to the USPTO makes manifest its choice to allow detailed
 16 information concerning the [REDACTED] to become public, undermining any finding of
 17 irreparable harm in the wake of *eBay* and *Hologic*:

18 Praxair has not met its burden under *eBay* to put forward sufficient proof vis-a-vis the
 19 broad scope of the relief requested. Praxair generally argues that VAC(R)'s presence in the
 20 market will cause Praxair to "likely lose additional market share, profits, and goodwill,"
 21 without further detail. Praxair has not provided or described any specific sales or market
 22 data to assist the court, nor has it identified precisely what market share, revenues, and
 23 customers Praxair has lost to ATMI. Praxair's desire to become a monopoly supplier
 24 in its product's market is hardly unique, and is not conclusive evidence of any factor.

25 *Praxair*, 479 F. Supp. 2d at 444 (footnote omitted). Further, any claim by Verigy that it will suffer
 26 irreparable harm is rebutted by the short time remaining until trial.

27 ii. The Extent of any Head-Start Must Be Re-Assessed.

28 Any alleged head-start advantage must be re-assessed in light of the '140 Application in

29 ¹⁵ See, e.g., *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d at 570 (E.D. Va. 2007), citing
 30 *Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440, 443-44 (D. Del. 2007).

31 ¹⁶ A "lack of commercial activity in practicing the [relevant] patents' and instead ... a
 32 willingness
 33 to license its patents'" counsel against a finding of irreparable harm, *MercExchange*, 500 F.
 34 Supp. 2d at 570 (citation omitted). A conclusion that monetary damages would provide
 35 adequate compensation for any injury may be supported by facts that "MercExchange failed to
 36 develop its patent or develop its patent through a licensing program. *Id.* at 582. If a plaintiff
 37 has "virtually no presence" in a particular industry, that tends to indicate that money damages
 38 would be adequate to compensate a plaintiff, *id.* at 583.

two different ways. First, as the Court determined previously, and as set forth in the Dr. Blanchard Decl., one can look at the amount of time it would have taken Mr. Mayder to independently research, develop, etc. the specification for the STS product.¹⁷ Whether based on the Court's finding in the PI Order or Dr. Blanchard's new opinions, the maximum amount of any such head-start advantage is six months and likely less than that, particularly for Mr. Mayder.

Second, in light of the October 25, 2007 publication of the '140 Application, one can also calculate any head-start advantage from that time forward. If there were any new trade secrets not fully disclosed in the '140 Application as it would have been read by one of ordinary skill in the art that came into existence after April 24, 2006 (which Defendants dispute), they must have been created during a period of no more than five weeks, between April 25, 2006 and June 1, 2006. Thus, any alleged head-start must have ended no later than five weeks after October 25, 2007: approximately November 29, 2007. Even if Verigy could show that it was irreparably harmed, any alleged head-start advantage had disappeared by January 24, 2008. Even if one were to add four months based upon the Order Grant. Pl.'s Mot. to Find Defs. In Contempt of Court for Violating the TRO, May 22, 2008 ("Order re Contempt"), those periods ended on May 24, 2008 and March 29, 2008, respectively. Unless modified, the PI Order, which has already provided Verigy with at least three months of unjustified relief, will extend to more than six months of such unjustified relief before trial.

**c. The Modifications in the PI Order Are Suitable
In Light of Changes in the Balance of Hardships.**

Another three months of a prohibitory injunction is a long time in the life of a young company. Having chosen a patent strategy by prosecuting the '140 Application, and knowing that it became public on October 25, 2007, Verigy nonetheless continued to seek a preliminary injunction

¹⁷ The Court previously found, "in light of the fact that there is publicly-available information regarding implementation of fan-out technology and the fact that STS's products are directed toward different customer requirements...a five-month injunction to be appropriate." PI Order, at p. 27:6-9. But that finding was made before the Court had received evidence that the '140 Application had been made public. Based upon assumptions consistent with the PI Order, viz., that all of Verigy's alleged trade secrets met the statutory requirements for trade secrets, Dr. Blanchard has expressed the new opinions that one could independently develop a product specification for Flash Enhancer in "a maximum of six person-months, and possibl[y] as few as four person-months, beginning on October 1, 2006," and that it would have taken Mr. Mayder less than that amount of time to do so. Dr. Blanchard Decl., ¶ 9.

without informing the Court about that publication. The balance of hardships must be reassessed in light of that publication and other new circumstances. While Defendants dispute that they have harmed Verigy, through the combination of the TRO and the PI Order Verigy has already had far more than the full measure of any injunctive relief, if any, that would be appropriate following trial. Verigy argues that (a) Defendants “offer no support for their assertion” and (b) “Verigy could very well obtain permanent injunctive relief...” Opp. at 12-13. But the Court’s own finding that a five-month injunction was appropriate and the opinions in the Dr. Blanchard Decl. rebuts Verigy’s arguments.¹⁸ The balance of hardships now tips sharply in favor of Defendants.

**d. The Modifications in the PI Order Are Suitable
In Light of Changes in the Public Interest.**

Verigy has not presented evidence that it now sells a product comparable to the STS product, that ‘140 Application has yielded an actual patent, or that the public would be harmed by sales of the STS product.¹⁹ This is not a case in which a small company that discovered and properly protected an actual trade secret is trying to prevent a larger competitor from exploiting that trade secret; instead, Verigy, with a market capitalization exceeding \$1 billion, seeks to prevent a company, orders of magnitude smaller, from utilizing information that, at least individually, the Court has found not to be secret.²⁰ PI Order at p. 14:7-8. By allowing the ‘140

¹⁸ Verigy also argues that relief should be denied because (a) Mr. Mayder previously stated that he had had a discussion with Dr. Blanchard regarding the TRO, (b) the TRO was designated “Confidential,” Opp. at 5-6, and (c) Defendants’ prior counsel failed to challenge highly confidential designations in the TRO. Mr. Mayder explained the first issue in the moving papers (R. Mayder Decl., ¶19). Verigy’s second argument misses the point, because Defendants’ Motion made clear that “Romi Mayder was never served with the full, unredacted version of the TRO with all of the referenced materials...” (Defs.’ Mot. at 4), and Verigy presents no evidence that all of those referenced materials were either un-designated or merely designated “confidential” under the Protective Order. Verigy’s third argument also fails, because under the flexible approach of Rule 60(b)(5), the Court may take account of what Defendants’ prior counsel did or did not do. Among other things, as Dr. Blanchard explained, (a) had he seen the TRO earlier, he would have advised Defendants to ask their former attorneys to seek clarification from the Court, and (b) even though the PI Order was entered in February, 2008 and the motion regarding contempt heard later, he was never contacted by Defendants’ former counsel after November 2007. Dr. Blanchard Decl., ¶¶ 6-7.

¹⁹ In the absence of evidence that a product “is causing public harm, there is a public interest in expanding the treatment possibilities for breast and other cancers,” in which case that “the public interest factor [may] tip[] in [a defendant’s] favor,” *Hologic* at *58.

²⁰ “The strongest arguments in equity exist when such small patent holder utilizes its patent to benefit the public; that is, either seeks to develop the patent on its own or develop the patent through licensing agreements.” *MercExchange*, 500 F. Supp. 2d at 587.

Application to become public, Verigy voluntarily accepted the risk that others might practice what that application taught. Based upon '140 Application's publication nearly 10 months ago, the public should no longer be denied the right to use what it teaches to one skilled in the art.

Verigy argues that the PI Order should not be modified, because (a) "Defendants wish to resume marketing that product immediately to everyone, including NOR and NAND customers," and (b) the STS "product just began Phase II of its development to fix several major problems which prevent it from working at all." Opp. at 4-5. Apart from the contradiction between these two arguments, Verigy's first argument ignores the fact that the PI Order prohibits, among other things, sales of "[REDACTED]" for NOR or NAND memory.

Verigy's second argument disregards the development process and the market. The Court has already recognized the importance of customer input to the development process.²¹ Defendants should not be prohibited from communicating with customers to meet the needs of the market. Furthermore, Verigy cannot know whether the STS product can currently be sold or not. In addition, if it cannot be sold, *then there is no need for an injunction to prohibit its sale*; if it can be sold, then the royalty mechanism provides Verigy with adequate security.

3. The PI Order Should Be Modified Pursuant to Rule 60(b)(5).

Defendants have demonstrated that the "proposed modification is suitably tailored to the changed circumstance." *Rufo*, 502 U.S. at 383 (fn omitted). Verigy fails to acknowledge that modification of the PI Order is particularly appropriate under California's trade secret statute, which specifically empowers the Court to "condition future use upon payment of a reasonable royalty for no longer than the period of time the use could have been prohibited." Cal. Civ. Code §3426.2(b). Defendants have expressed their willingness to escrow more than a reasonable royalty for longer than a reasonable period of time, and modification of the PI Order is especially warranted. Therefore, pursuant to Rule 60(b)(5), the PI Order should be modified as requested in Defendants' Motion at 18-19.

C. The PI Order Should Also be Modified Pursuant to Rule 60(b)(2).

²¹ "Weber asserts that it could take [REDACTED] to work with another vendor to design, develop, fabricate and test a custom ASIC..." PI Order, at p. 25:9-10.

Subpart (2) of Rule 60(b) provides additional grounds upon which the PI Order should be modified. Many of the opinions expressed in the Dr. Blanchard Decl., especially those in ¶ 8(c) regarding “the functionalities identified by the Court in the Preliminary Injunction” and in ¶ 9 based upon the assumption that “the Amended Section 2019.210 Disclosure were to qualify as trade secrets,” could not have been formed prior to the PI Order, because (a) they are based on the PI Order itself and (b) Verigy did not amend its trade secret list until April 18, 2008. Dr. Blanchard Decl., ¶¶ 8(c), 9, and 4. Therefore, the Court may consider this new evidence pursuant to Rule 60(b)(2), and the PI Order should be modified pursuant to that rule as well.

III. DASTAR PRECLUDES VERIGY’S LANHAM ACT CLAIM.

Verigy brings its Ninth Claim for Relief under section 43(a) of Lanham Act, 15 U.S.C.1125(a). The authority cited by Verigy itself, however, demonstrates that it has not raised a material dispute as to this claim. Failing to assert a valid Lanham Act claim in the Complaint,²² plaintiff seeks to rescue its Ninth Claim by (1) recasting it as a “false advertisement” claim²³ and (2) reconstruing §43(a) of the Lanham Act to extend to what is variously termed “Verigy’s trade secret project designs,” “Verigy technology” and “a specification” derived from a proprietary RFQ (the “Verigy RFQ”), which plaintiff alleges was misappropriated by Defendants and used to “solicit sales from potential customers.” Pl.’s Opp. at 21:3-5; 22:4-5, 23:11-14. However, no such construal is possible, and defendants should be granted summary adjudication as to the Ninth Claim.

²² Verigy’s Opposition fails to refute defendants’ argument that plaintiff cannot meet the standard for “reverse passing off” under the Lanham Act of proving “bodily appropriation” of the Verigy Project as pled in the Complaint, the “Verigy Project” not being a product capable of “bodily appropriation.” It is undisputed that Lanham Act protection does not extend to research and data such as that comprising the “Verigy Project” that was pled in the Complaint. See, e.g., *Radolf v. Univ. of Conn.*, 364 F. Supp. 2d 204, 222 (D. Conn. 2005).

²³ Verigy attempts to resist summary adjudication on the basis that Verigy’s reputed claim for “false advertising” under §43(a)(1)(B) of the Lanham Act was not addressed in Defendants’ moving papers. This argument is hogwash. The very basis of its so-called false advertising claim is admitted to be a single statement, namely the allegation that Defendants advertised that they “have invented a new paradigm for substantially increasing parallelism of ATE test cells.” Opp. at 19. Yet this is the exact same argument repackaged, an argument that it was false for Defendants to claim to be the *origin* of such “new paradigm.” Second, this statement is at best a statement of opinion, not one of fact, and as “mere puffery” cannot not qualify as “false advertising.” *Pinnacle Sys., Inc. v. XOS Techs., Inc.*, 2003 U.S. Dist. LEXIS 27729, at *15-*16 (N.D. Cal. May 19, 2003); *Newcal Industries, Inc. v. Ikon Office Solution*, 513 F.3d 1038, 1053 (9th Cir. 2008); *Coastal Abstract Services, Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 731 (9th Cir. 1999).

1 Simply put, Verigy submits no evidence of bodily appropriation by Defendants of an actual
 2 Verigy product, as was its burden. Instead, Verigy argues that Defendants misappropriated and
 3 marketed a “specification” embodied in the Verigy RFQ, incorrectly analogized to an architect’s
 4 plans passed off by another as his own, and to that of a manufacturer stealing industrial patterns
 5 and using them to manufacture identical products sold as his own, and citing to case authority
 6 which Verigy claims uphold “reverse passing off” claims in such instances. However, plaintiff’s
 7 analogies are inapt and incorrectly applied, its cited authority, moreover, is superceded in any
 8 event by the higher authority of the Supreme Court’s ruling in *Dastar v. Twentieth Century Fox*,
 9 539 U.S. 23, 123 S. Ct. 2041 (June 2, 2003), which expressly precludes “reverse passing off”
 10 claim under the Lanham Act such as that described by Verigy.

11 Factually, Verigy errs in analogizing the Verigy RFQ to an architectural plan or a
 12 manufacturing pattern. An RFQ, or “request for quotation,” is not in any sense of the words a “plan”
 13 or “pattern” for a product, much less is it a “product” in and of itself. Rather, an RFQ is a compilation
 14 of desirable attributes, a “specification” which a company, such as STS, submits to a manufacturer
 15 requesting a price quotation for the design of a product (in this case, an application-specific integrated
 16 circuit, or ASIC) with those specified attributes. Far from presenting material facts of a product which
 17 was copied by defendants, the only product in question, which plaintiff admits, is the ASIC designed
 18 by Honeywell for STS. Thus, there being no Verigy product based upon the Verigy RFQ, this case
 19 relied upon by plaintiff actually supports both the ruling in *Dastar* and Defendants’ position.²⁴

20 Likewise, in *GNI Waterman LLC v. A/M Valve Company LLC*, No. CV F 07-0863 LJO TAG,
 21 2007 U.S. Dist. LEXIS 68715 (E.D. Cal. Sept. 7, 2007),²⁵ the Court found that a Lanham Act claim for
 22 “reverse passing off” was properly alleged where a manufacturer “misappropriated [its competitor’s]
 23 *product* patterns and designs to create *products* interchangeable with [its competitor’s] products.” *GNI*

24 ²⁴ To the extent that plaintiff’s other cited authority, *Johnson v. Jones*, 149 F.3d 494, 503 conflicts
 25 with the Supreme Court’s ruling in *Dastar*, the Supreme Court case controls as a higher and
 26 later authority. Indeed, at least one Court has found the *Johnson v. Jones* ruling to be obsolete
 27 in the wake of *Dastar*. See, e.g. *Francois v. Jack Ruch Quality Homes*, 2006 U.S. Dist. LEXIS
 28 57062, 38-39 (C.D. Ill. Aug. 14, 2006) at *38-39.

²⁵ A case which was procedurally decided on a motion to dismiss where all facts were assumed to
 be true in plaintiff’s favor.

1 *Waterman*, 2007 U.S. Dist. LEXIS at *13 (emphasis added). In *GNI Waterman*, the two products, the
 2 original and the counterfeit manufactured using misappropriated patterns, were “identical products.” *Id.*
 3 at *12. Here, as Defendants have pointed out, and Verigy has not and cannot refute, there is simply no
 4 Verigy product of which STS’s ASIC can be a copy, counterfeit or otherwise, because Verigy had not,
 5 and has not, even requested that a product be designed based on the Verigy RFQ.

6 It is indisputable that, were the Verigy RFQ not “technology” which Verigy allegedly
 7 protected as a “trade secret,” such an innovation as the specification would fall squarely under the
 8 purview of patent law and is thus explicitly rejected as a valid claim under the Lanham Act.²⁶ As
 9 *Dastar* explains, the “origin of work” provision of the Lanham Act protects only “the producer of the
 10 tangible goods that are offered for sale, and not . . . the author of any idea, concept, or communication
 11 embodied in those goods,” because copyright and patent laws sufficiently cover inventions,
 12 discoveries, ideas and concepts. *Id.* at 37. *Dastar* explicitly rejects such a reading of the Lanham Act:

13 In sum, reading the phrase ‘origin of goods’ in the Lanham Act in accordance with the Act’s
 14 common-law foundations (which were *not* designed to protect originality or creativity), and in light of
 15 the copyright and patent laws (which *were*), we conclude that the phrase refers to the producer of the
 16 tangible goods that are offered for sale, and not to the author of any idea, concept or communication
 17 embodied in those goods... To hold otherwise would be akin to finding the § 43(a) created a species
 18 of perpetual patent and copyright, which Congress may not do. (Citation omitted).

19 ...
 20 In construing the Lanham Act, we have been careful to caution against misuse or over-extension of
 21 trademark and related protections into areas traditionally occupied by patent or copyright. The
 22 Lanham Act . . . does not exist to reward manufacturers for their innovation in creating a particular
 23 device; that is the purpose of the patent law and its period of exclusivity. *Federal trademark law*
 24 *has no necessary relation to invention or discovery*, but rather, by preventing competitors from
 25 copying a source-identifying mark, reduces the customer’s costs of shopping and making
 26 purchasing decisions, and helps assure a producer that it (and not an imitating competitor) will reap
 27 the financial, reputation-related rewards associated with a desirable product.

28 *Dastar*, 539 U.S. at 32-34 [Emphasis added.]. See also, *TrafFix Devices, Inc. v. Marketing*
Displays, Inc., 532 U.S. 23, 34 (2001).²⁷

23 ²⁶ Nor does the Lanham Act provide a claim for the intentional passing off of the Verigy RFQ
 24 merely because it is allegedly a trade secret and not protected by patent or copyright.
 25 “[R]eading § 43(a) of the Lanham Act as creating a cause of action for, in effect, plagiarism--
 26 the use of otherwise unprotected works and inventions without attribution--would be hard to
 27 reconcile with our previous decisions.” *Dastar* at 36.

28 ²⁷ The concern, the Supreme Court noted, was “allowing a cause of action under section 43(a) for
 that representation [that *Dastar* originated the creative work conveyed in the videos] would create a
 species of mutant copyright law that limits the public’s ‘federal right to copy and to use’ expired
 copyrights (citation omitted).” *Id.* at 33. Such would also be the consequence of plaintiff’s
 reading, in creating a species of “mutant” patent law, which the Supreme Court expressly rejected.

Here, even if plaintiff's analogy of the Verigy RFQ as a "tangible good" were correct, which it is not, plaintiff's reading of the Lanham Act would result in a "mutant patent law" which *Dastar* expressly precludes. Verigy is neither the "producer of [a] tangible product" at issue, nor the "trademark owner who commissioned or assumed responsibility for...production of [a] physical product." *Id.* Verigy can only make a case, arguably for being the "person or entity that originated the ideas...that the 'goods' embody or contain," which are clearly ruled out of Lanham protections as being more clearly subject to patent or copyright law. *Dastar*, 539 U.S. at 31-32. Thus it is clear that the *Dastar* ruling applies to Verigy's supposed Lanham Act claim, and Defendants' motion for summary adjudication on such claim is proper.

IV. DEFENDANTS ARE ENTITLED TO SUMMARY ADJUDICATION THAT INFORMATION CONTAINED IN PUBLISHED PATENTS OR PATENT APPLICATIONS CANNOT CONSTITUTE TRADE SECRETS.

Defendants seek summary adjudication that (a) any information published by Verigy or others in patents or patent applications cannot be considered trade secrets, (b) each of the patents or patent applications submitted by declaration on Defendants' Motion are in the public domain, and (c) to the extent they contain any of Verigy's alleged trade secrets, such information cannot qualify as trade secrets. Defs.' Mot. at 10-11. Verigy contends that (a) many of the documents in question were published after June 2006 and (b) Defendants seek "an advisory opinion in a legal and factual vacuum." Opp. at 23-24. Summary adjudication is an appropriate tool for reducing the scope of the issues in dispute, and, as discussed above, these issues are vital to the prompt and efficient resolution of this case. The Court should adjudicate that each document in question (a) became public as of its publication date, and (b) any alleged trade secrets contained in such documents lost any alleged trade secret status as of the date of such publication.

CONCLUSION

For the reasons set forth above, Defendants' Motion should be granted in its entirety.

Respectfully submitted,
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